

STATE OF RHODE ISLAND
PROVIDENCE, SC.

SUPERIOR COURT

Hearing date:

RHODE ISLAND ECONOMIC DEVELOPMENT
CORPORATION,

Plaintiff,

v.

WELLS FARGO SECURITIES, LLC et al.,

Defendants.

C.A. No. PB-12-5616

**JOINT PETITION TO APPROVE SETTLEMENT AMONG PLAINTIFF,
ANTONIO AFONSO, JR., AND MOSES AFONSO RYAN, LTD**

Plaintiff Rhode Island Commerce Corporation ("RICC") and Defendants Antonio Afonso, Jr. and Defendant Moses Afonso Ryan, Ltd. ("the MAR Defendants") hereby jointly petition the Court for judicial approval of a good-faith settlement of Plaintiff's claims against the MAR Defendants, pursuant to R.I. Gen. Laws § 42-64-40. Copies of the executed settlement documents are attached hereto as exhibits.¹

R.I. Gen. Laws § 42-64-40 provides:

42-64-40. Court-approved settlements. – (a) Notwithstanding any provisions of law to the contrary, a person, corporation, or other entity who has resolved its liability to the Rhode Island Commerce Corporation in a judicially approved good faith settlement is not liable for claims for contribution or equitable indemnity regarding matters addressed in the settlement. The settlement does not discharge any other joint tortfeasors unless its terms provide, but it reduces the potential liability of the joint tortfeasors by the amount of the settlement.

¹ The attached settlement documents are an executed copy of the settlement agreement with exhibits attached (Exhibit 1) and an authorizing resolution of the Rhode Island Commerce Corporation's board of directors (Exhibit 2).

SUPERIOR COURT
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(b) The provisions of this section apply solely and exclusively to settlements of claims asserted or previously asserted by the Rhode Island Economic Development Corporation or the Rhode Island Commerce Corporation or hereafter asserted by the Rhode Island Commerce Corporation arising out of or relating to the issuance by the Rhode Island Economic Development Corporation of seventy-five million dollars (\$75,000,000) in revenue bonds denominated "THE RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION JOB CREATION GUARANTY PROGRAM TAXABLE REVENUE BOND (38 STUDIOS, LLC PROJECT) SERIES 2010" and shall not be construed to amend or repeal the provisions of chapter 6 of title 10 relating to contributions among joint tortfeasors, other than as specifically provided in this section.

(c) For purposes of this section, a good faith settlement is one that does not exhibit collusion, fraud, dishonesty, or other wrongful or tortious conduct intended to prejudice the non-settling tortfeasor(s), irrespective of the settling or non-settling tortfeasors' proportionate share of liability.

R.I. Gen. Laws § 42-64-40.²

This statute marks the fourth time the General Assembly has enacted a statute retroactively amending the law of joint tortfeasor releases for claims pending at the time of enactment. See R.I. Gen. Laws § 42-116-40 ("the DEPCO statute"); R.I. Gen. Laws § 27-1-16.2 (receivers of domestic insurance companies); and R.I. Gen. Laws §§ 10-6-7 and 10-6-8 (mass torts resulting in 25 or more deaths from a single occurrence³). In order to facilitate settlements of claims falling within their ambits, these statutes eliminate the statutory jointtortfeasor right of set-off based on proportionate liability and the concomitant statutory right of contribution. Rhode Island Depositors Econ. Prot. Corp. v. Brown, 659 A.2d 95, 99 (R.I. 1995).

² R.I. Gen. Laws § 42-64-40 was codified by 2014 R.I. Pub. Law Chs. 3 and 4 (Feb. 13, 2014).

³ Most notably—and, thus far, exclusively—the Station Night Club Fire.

If there were no amendment to the statutory scheme, a settling defendant would demand that any judgment against the non-settling defendants be reduced, not simply by the settlement payment, but rather by the proportionate fault allocated to the settling defendant. This is the only way a settling defendant can be protected from claims of contribution under the Rhode Island's statutory joint tortfeasor scheme. Under R.I. Gen.

Laws § 10-6-8:

A release by the injured person of one joint tortfeasor does not relieve him or her from liability to make contribution to another joint tortfeasor unless the release is given before the right of the other tortfeasor to secure a money judgment for contribution has occurred, and provides for a reduction, to the extent of the pro rata share of the released tortfeasor, of the injured person's damages recoverable against all the other tortfeasors.

A Plaintiff can give the settling defendant the necessary protection from contribution claims only by stipulating in the release that the judgment against the remaining defendants will be reduced by the proportionate share of the settling defendant's fault. R.I. Gen. Laws § 10-6-7 ("A release by the injured person of one joint tortfeasor, ... reduces the claim against the other tortfeasors in the amount of the consideration paid for the release, or in any amount or proportion by which the release provides that the total claim shall be reduced, if greater than the consideration paid"). See Augustine v. Langlais, 402 A.2d 1187, 1189 (R.I. 1979). Therefore, in order for a settling defendant to be protected from a later contribution claim by a non-settling defendant who suffers a judgment in excess of his proportional fault, the release must state that the non-settling defendant's liability will be reduced by the proportional fault of the settling tortfeasor.

A plaintiff, on the other hand, may not want to risk the possibility that that the non-settling defendants will point the finger at the settling defendant to reduce their

proportionate fault, and that a fact-finder determines that the settling defendant was largely at fault for the plaintiff's damages. That would dramatically reduce the plaintiff's recovery. This can result in a stalemate between a plaintiff and a defendant who both want to settle.

In the Brown case, the Rhode Island Supreme Court rejected an attack mounted by non-settling defendants on the constitutionality of an almost identical statute, the DEPCO statute, R.I. Gen. Laws § 42-116-40, which retroactively changed the law as to joint tortfeasor liability. Under the DEPCO statute, like R.I. Gen. Laws § 42-64-40, a settling defendant was protected from any claims for contribution and equitable indemnity, and DEPCO's judgment against the non-settling defendants was only reduced by the amount of the settlement. The Rhode Island Supreme Court specifically ruled that this statute did not violate either the Rhode Island or United States constitutions.

The Brown Court acknowledged the important public policy that is fostered by statutes such as the DEPCO statute and R.I. Gen. Laws § 42-64-40. The purpose of these statutes, as articulated by the proponents of the DEPCO statute, is to provide "a necessary incentive to settle claims, and they emphasize that encouraging settlements is a goal that this court has recognized as favored by public policy." Id. at 100-101 (citing Homar, Inc. v. North Farm Associates, 445 A.2d 288, 290 (R.I. 1982)). Another aspect of the DEPCO case that the Brown court found particularly significant was that the insurance policy for the settling defendant was one that was reduced by the defenses fees and costs, meaning the longer the plaintiff and the settling defendant

waited to settle, the less money there would be to effectuate the settlement. Id. at 101.

The MAR insurance policy is exactly the same.

In determining that the DEPCO statute had a "rational relationship" to a "legitimate state purpose," the Rhode Island Supreme Court was "persuaded that encouraging payment of insurance proceeds to DEPCO in the form of settlements, instead of allowing them to be dissipated through payments of costs of defense of protracted litigation, is certainly a legitimate legislative objective." Id. at 101. The Court further stated that "[b]alancing this public interest [in getting the insurance proceeds so as to reduce the burden on taxpayers] against the alleged unfairness to [the non-settling defendant] to be denied its pre-existing right to contribution, we come to the conclusion that the State of Rhode Island's interest prevails." Id. at 104.

Federal courts have likewise acknowledged the importance of eliminating contribution claims against settling defendants in order to encourage settlements, and notwithstanding that this negates proportional liability. For example, when the Comprehensive Environmental Response Compensation and Liability Act of 1980 (CERCLA), 42 U.S.C. § 9601 et seq. was amended by the Superfund Amendments Act of 1986 (SARA) to create an express statutory right of contribution, it simultaneously amended the statute to say that the right of contribution does not run against parties that settle with the government. Section 9613(f)(2) provides:

A person who has resolved its liability to the United States or a State in an administrative or judicially approved settlement shall not be liable for claims for contribution regarding matters addressed in the settlement. Such settlement does not discharge any of the other potentially liable persons unless its terms so provide, but it reduces the potential liability of the others by the amount of the settlement.

42 U.S.C. § 9613(f)(2) (emphasis supplied). Because only the amount of the settlement and not the proportionate liability attributable to the settling party is subtracted from the aggregate liability of the remaining parties, § 9613(f)(2) “envision[s] that nonsettling parties may bear disproportionate liability.” United Technologies Corp. v. Browning-Ferris Indus., Inc., 33 F.3d 96, 103 (1st Cir. 1994). As the First Circuit has noted, “[t]his paradigm is not a scrivener’s accident.” Id. Rather, it “was designed to encourage settlements” by providing settling parties “a measure of finality in return for their willingness to settle”, id., discouraging “exhaustive litigation” over “who is ‘really’ responsible for how much[.]” Akzo Coatings, 30 F.3d at 773 (Easterbrook, J.).

Likewise, the design and purpose of R.I. Gen. Laws § 42-64-40 was to reduce the RICC’s risk of reaching early settlements with various defendants before the proportionate shares of all defendants’ liabilities have been judicially determined. The primary mechanism to achieve that design and purpose was the elimination of the role of proportionate liability in settlements, yet providing settling defendants with protection from contribution claims. The RICC’s risk of early settlement under R.I. Gen. Laws §§ 10-6-7 and 10-6-8 has now been transformed, under R.I. Gen. Laws § 42-64-40, into the risk to defendants of not settling.

For the risk-shifting benefits of R.I. Gen. Laws § 42-64-40 to apply to a settlement, however, it must be a “judicially approved good faith” settlement. As quoted *supra*, R.I. Gen. Laws § 42-64-40(c) defines a “good faith settlement” as “one that does not exhibit collusion, fraud, dishonesty, or other wrongful or tortious conduct intended to prejudice the non-settling tortfeasor(s), irrespective of the settling or non-settling tortfeasors’ proportionate share of liability.” (emphasis supplied). Thus, this statute

expressly adopts the standard of “good faith” judicially adopted in cases such as Noyes v. Raymond, 548 N.E.2d 196, 199 (Mass. App. Ct. 1990) and Dacotah Marketing & Research, L.L.C. v. Versatility, Inc., 21 F. Supp. 2d 570 (E.D. Va. 1998).

Under the provisions of Massachusetts General Laws c. 231B, § 4(b), “[w]hen a release or covenant not to sue or not to enforce judgment is given in good faith to one of two or more persons liable in tort for the same injury . . . [i]t shall discharge the tortfeasor to whom it is given from all liability for contribution to any other tortfeasor.” The Noyes court concluded that the primary and legitimate objective of the Massachusetts “good faith” settlement statute was to encourage settlements. Noyes, 548 N.E.2d at 189. The term “good faith” was intended to mean the absence of “collusion, fraud, dishonesty, and other wrongful conduct[,]” and the fact that a settlement might be low in comparison to the plaintiff’s estimated damages is not, by itself, material to that question. Id. “A relatively low settlement might reflect uncertainty about whether the settling party would be found liable, the uncertainty of the plaintiff’s provable damages, or “the general unpredictability of juries on both liability and the damages issues.” Id.

Likewise, the Dacotah Marketing court concluded that Virginia’s joint tortfeasor contribution statute barred only releases “based on collusion or other tortious or wrongful conduct such as fraud or dishonesty between the plaintiff and the settling tortfeasor.” Dacotah Marketing, 21 F. Supp. 2d at 576. The court explained that a non-collusive, good faith settlement was one negotiated at “arm’s length” where “plaintiffs attempt to obtain as much as possible and defendants seek to pay as little as possible.” Id. at 577. Collusion in violation of this standard occurs only where “the principal

purpose of a release is to facilitate a collusive alliance" against the remaining defendants, id. at 579, and:

when the release is given with the tortious purpose of intentionally injuring the interests of nonsettling parties, rather than as the product of arm's length bargaining based on the facts of the case and the merits of the claim.

Dacotah Marketing, 21 F. Supp. 2d at 578. In short, "[w]hen an alliance harmful to the nonsettling party is the essential object of a release, that release is not given in good faith." Id. at 579.

Under the "non-collusive, non-tortious" standard, the court's inquiry is focused on the settling parties' negotiations and intent, and whether the negotiation of the settlement was motivated by a collusively fraudulent or dishonest intent to prejudice the remaining defendants. It is the non-settling defendant's burden to overcome the presumption that a settlement is made in good faith.

In Dacotah Marketing, the court held that the good faith analysis begins with a presumption that the settlement was made in good faith, and the challenging party has the burden to show the settlement "is infected with collusion or other tortious or wrongful conduct." Dacotah Marketing, 21 F. Supp. 2d at 578. See also Barmat v. John & Jane

Doe Partners A-D:

Once the settling party introduces proof of the settlement and the amount thereof, the burden shifts to the party challenging the settlement to show that the amount paid by the claimant in settlement was not paid in good faith. We note that other jurisdictions that have adopted the Uniform Contribution Among Tortfeasors Act (UCATA) place the burden on the challenging party to prove lack of good faith. . . . We do not assume that parties to an agreement acted collusively. We presume that they acted in good faith and require the challenging party to prove a lack thereof.

Barmat v. John & Jane Doe Partners A-D, 797 P.2d 1223, 1227-28 (Ariz. App. 1990)

(citations and quotations omitted). Likewise, the same burden was placed on the non-settling defendants in Fairfax Radiological Consultants, P.A. v. My Q. Bui, 72 Va. Cir. 570 (2002):

Analysis begins with the presumption that the settlement has been made in good faith, and the burden is on the challenging party to show that the settlement is infected with collusion or other tortious or wrongful conduct." Dacotah Marketing and Research, L.L.C. v. Versatility, Inc., 21 F.Supp.2d 570, 578 (E.D.Va.1998); see also Smith v. Monongahela Power Co., 429 S.E.2d 643 (W.Va.1993) ("Settlements are presumptively made in good faith. A defendant seeking to establish that a settlement made by a plaintiff and a joint tortfeasor lacks good faith has the burden of doing so by clear and convincing evidence."). Accordingly, the burden is on Fairfax Radiological to show that the Benitez–Bui settlement agreement was not a good faith settlement.

See also Gray v. Derderian, CA 04-312L, 2009 WL 1575189 (D.R.I. June 4, 2009)

("Thus, there is a presumption that the settlement has been made in good faith, and the burden is on the challenging party to show that the settlement is infected with collusion or other tortious or wrongful conduct.") (Lagueux, J., adopting report and recommendation of Martin, Mag. J.); Noyes, 548 N.E. 2d at 191 (same).

The instant settlement meets any definition of "good faith." There is risk to both the MAR defendants and the RICC that is avoided by this settlement. The MAR defendants deny any liability for the allegations made against them. Nonetheless, they are consenting to have their insurance carrier pay the remaining policy limits of not less than \$4,370,000 to put this matter behind them and avoid the risk of a judgment after trial that is larger than whatever might remain (if anything at all) as available insurance proceeds. The RICC could possibly lose its case against the MAR defendants and get

nothing. The RICC could also possibly obtain a much larger judgment after trial, but there would be little if anything left in the MAR insurance policy to pay such a judgment. The settlement was negotiated between the signatories at arm's length, mindful of these inherent uncertainties of litigation, the financial costs associated with the ongoing prosecution and defense of the litigation, and the possible depletion of the MAR Defendants' liability insurance coverage. There can be no creditable suggestion that it "exhibit[s] collusion, fraud, dishonesty, or other wrongful or tortious conduct intended to prejudice the non-settling tortfeasor(s)" (i.e. the non-settling Defendants). Accordingly, the settlement should be approved, thereby clearing the way for the dismissal with prejudice of the claims of the RICC against the MAR defendants and any crossclaims for contribution or equitable indemnity by co-defendants against the MAR defendants.

Conclusion

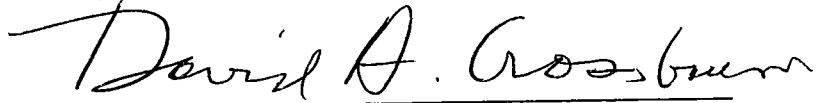
The Court should grant judicial approval of the settlement between Plaintiff and the MAR Defendants as a "good faith settlement" pursuant to R.I. Gen. Laws § 42-64-40.

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Dated: June 27, 2014

CERTIFICATION

I hereby certify that an exact copy of the within document was mailed and served by electronic means on this 27th day of June, 2014 to the following individuals:

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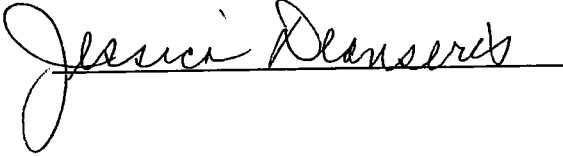
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A handwritten signature in cursive script, reading "Jessica Plonsky", written over a horizontal line.

SETTLEMENT AGREEMENT

This settlement agreement ("Settlement Agreement") is entered into this 24th day of June 2014, by and among the Rhode Island Commerce Corporation, f/k/a the Rhode Island Economic Development Corporation ("RICC"), Antonio Afonso, Jr. and Moses Afonso Ryan Ltd. (Mr. Afonso and the firm are referred to collectively as the "Moses Afonso Defendants") and Liberty Insurance Underwriters Inc. ("Liberty") (said RICC, Moses Afonso Defendants and Liberty are collectively hereinafter referred to as the "Parties").

WHEREAS the RICC is the plaintiff in a litigation captioned *Rhode Island Economic Development Corporation v. Wells Fargo Securities, LLC et al.*, C.A. No. PB-12-5616 (the "Rhode Island Litigation"), wherein the RICC has asserted various claims arising out of or related to the issuance of revenue bonds denominated "THE RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION JOB CREATION GUARANTY PROGRAM TAXABLE REVENUE BOND (38 STUDIOS, LLC PROJECT) SERIES 2010" (the "2010 Bonds") (the claims in the Rhode Island Litigation are referred to herein as the "Claims");

WHEREAS the Moses Afonso Defendants are among the various defendants in the Rhode Island Litigation against whom the RICC has asserted the Claims;

WHEREAS Liberty issued Policy No. LPA295753-0112 to the Moses Afonso Defendants (the "Policy"), which provides a \$5,000,000 limit of liability;

WHEREAS the Moses Afonso Defendants have tendered the Claims to Liberty under the Policy for defense and for payment of any potential settlement or judgment;

WHEREAS the Policy provides that the amounts paid in the defense of the Claims serve to reduce the amounts available under the Policy for any future defense, settlement or judgment as to the Claims and, thus, the amounts available to the Moses Afonso Defendants under the Policy will continue to decline if the Rhode Island Litigation continues against the Moses Afonso

Defendants and Liberty has no obligation to pay any defense, settlement, judgment or other amount once the Policy's limit of liability is exhausted;

WHEREAS the RICC has asserted that the value of the Claims against the Moses Afonso Defendants and the other defendants in the Rhode Island Litigation are significantly in excess of the amount available to the Moses Afonso Defendants under the Policy if the RICC were to be successful;

WHEREAS the RICC has made a settlement demand for the remaining limits of liability available under the Policy pursuant to the case of *Asermely v. Allstate Ins. Co.*, 728 A.2d 461 (R.I. 1999), and has agreed to release the Moses Afonso Defendants from liability for the Claims in exchange for payment of the remaining limits of liability available under the Policy, as more fully set forth herein;

WHEREAS the Moses Afonso Defendants deny any wrongdoing and/or liability in connection with the Rhode Island Litigation and the Claims;

WHEREAS the scheduled payment of principal of and interest on the 2010 Bonds when due was and/or is guaranteed under an insurance policy (the "Municipal Bond Insurance Policy") issued by Assured Guaranty Municipal Corp., f/k/a Financial Security Assurance Inc. ("Assured Guaranty"), and this settlement is conditioned upon Assured Guaranty providing a release in the terms set forth below;

WHEREAS the payment of the Settlement Amount and Hold Back Fund (defined in Paragraph 3 below) exhausts the Policy's limit of liability, except to the extent that Liberty has used estimates as to any past or future defense fees and expenses for services provided or incurred prior to July 3, 2014 and these estimates turn out to be higher than the actual payments it is required to make. If any portion of the Policy's limit remains after paying the RICC the \$4,370,000 as set forth below and after setting aside the \$200,000 Hold Back Fund, it will pay such additional funds to the RICC within a reasonable time after Liberty is satisfied that all such defense fees and expenses have been paid;

WHEREAS the RICC, the Moses Afonso Defendants, and Liberty are mindful of the inherent uncertainty of litigation and the financial costs associated with the ongoing prosecution and/or defense of same.

NOW, THEREFORE, in consideration of the foregoing, which are incorporated herein by reference, and in consideration for the mutual exchange of promises contained herein, the adequacy and sufficiency of which is hereby acknowledged, the RICC, the Moses Afonso Defendants, and Liberty hereby agree as follows:

1. Within five (5) business days of the execution of this Settlement Agreement by all Parties, the RICC and the Moses Afonso Defendants will jointly petition the Rhode Island Superior Court to approve this Settlement Agreement and the settlement provided for herein in accordance with Rhode Island General Laws § 42-64-40 and to dismiss the Claims made by the RICC and the claims made by any other defendant in the Rhode Island Litigation against the Moses Afonso Defendants with prejudice, and to seek a hearing on the first date available. Prior to submitting the Petition to the Rhode Island Superior Court, the RICC will obtain and hold in its possession the original notarized signature of Assured Guaranty on the joint tortfeasor release in the form attached hereto as Exhibit 1 ("the RICC & Assured Guaranty Release") pursuant to Rhode Island General Laws § 42-64-40 and provide written notice to counsel for the Moses & Afonso Defendants of its receipt of the original notarized signature of Assured Guaranty, and the RICC shall hold this Release in escrow pending the satisfaction of all other terms and conditions required herein for issuing the RICC & Assured Guaranty Release to the Moses Afonso Defendants and Liberty;
2. In the event that the Superior Court approves this Settlement Agreement and the settlement provided for herein as a good faith settlement pursuant to Rhode Island General Laws § 42-64-40 and dismisses the Claims made by the RICC and the claims made by any other defendant in the Rhode Island Litigation against the Moses Afonso Defendants with prejudice, then within ten (10) business days thereof, the RICC and Assured Guaranty will deliver to counsel for the Moses Afonso Defendants the joint tortfeasor release in form attached hereto as **Exhibit 1** pursuant to Rhode Island General

Laws § 42-64-40, and the Moses Afonso Defendants will deliver to counsel for the RICC a release in the form annexed hereto as **Exhibit 2** ("the Moses Afonso Release"). The RICC shall also provide a duly authorized resolution signed by the Secretary of the RICC certifying that the RICC's Board of Directors has approved this Settlement Agreement and approved the RICC & Assured Guaranty Release and has voted to enter into these agreements. If the Superior Court finds that the settlement was not made in good faith under Rhode Island General Laws § 42-64-40, or determines that Rhode Island General Laws § 42-64-40 is void or inapplicable for any reason, or fails to issue its determination within fourteen (14) days of the Petition being filed, or Assured Guaranty fails to provide the RICC & Assured Guaranty Release as provided herein, then the Parties shall not be obligated to go forward with this Settlement Agreement.

3. Within thirty (30) days after receipt by counsel for the Moses Afonso Defendants of the RICC & Assured Guaranty Release signed by all Parties, the resolution from the RICC as set forth in paragraph 2, and the receipt by Liberty of the identity of the payee(s) for the settlement amount under this Agreement and all IRS Forms W-9, Liberty will pay jointly to the RICC and the RICC's counsel Wistow, Barylick, Sheehan & Loveley, PC the sum of \$4,370,000 (the "Settlement Amount"). Liberty shall retain and hold back \$200,000 from the remaining funds available under the Policy and shall disburse this money to the Moses Afonso Defendants for reasonable and necessary fees, judgments, settlements, or costs associated with any investigatory, administrative, regulatory, enforcement, or judicial proceeding (including arbitration) naming the Moses Afonso Defendants as parties or any such proceeding involving an inquiry directed to the Moses Afonso Defendants related to the 2010 Bonds, to the extent covered by the Policy and, if covered, pursuant to the terms of the Policy, including, but not limited to, remaining fees or expenses in connection with the Rhode Island Litigation for services provided or incurred on or after July 3, 2014 (the "Hold Back Fund"). The amounts that Liberty agrees to pay, including but not limited to amounts incurred in connection with the matters referenced in the preceding sentence, shall be paid out of and erode the Hold Back Fund. Any amount in the Hold Back Fund not so disbursed after three years from the date of this Settlement Agreement shall be paid to the RICC and its counsel. Thirty (30) days prior to this three-year anniversary date, counsel for the Moses Afonso

Defendants shall notify counsel for the RICC in writing of the amount, if any, that remains in the Hold Back Fund. The RICC shall provide all IRS Forms W-9 by the three-year anniversary date. The remaining amount in the Hold Back Fund, if any, shall be paid to the RICC and its counsel within thirty (30) days of the three-year anniversary date or receipt of the IRS Forms W-9, whichever is later.

4. The Parties acknowledge and agree that the payment of the Settlement Amount and the Hold Back Fund (and any portion of the Policy's limit, if any, that remains after payment of all defense fees and expenses provided or incurred prior to July 3, 2014 and the \$4,370,000 and after taking account of the \$200,000 Hold Back Fund) represents the full extent of Liberty's payment obligations under this Settlement Agreement and the Policy and further acknowledge and agree that Liberty shall not be obligated to pay any additional amounts under the Policy. The Parties acknowledge and agree that best efforts have been utilized to arrive at the amount remaining under the Policy as of July 3, 2014 in order to provide a sum certain Settlement Amount, notwithstanding the fact that such amount remaining under the Policy continues to be eroded by on-going defense costs in the Rhode Island Litigation. To the extent any additional amounts incurred in the defense of the Rhode Island Litigation prior to July 3, 2014 are subsequently discovered and/or submitted to Liberty and are in excess of the estimates used by Liberty, the Parties agree that such amounts shall be paid out of the Hold Back Fund.
5. After payment of any legal fees and expenses incurred or owed by the RICC, the RICC states that all remaining funds from this settlement will be paid for the benefit of Bondholders of the 2010 Bonds;
6. The RICC will exercise its best efforts to defend against and defeat any claim or action asserting that this settlement is not a good faith settlement under Rhode Island General Laws § 42-64-40 or that Rhode Island General Laws § 42-64-40 is void, invalid or unconstitutional, in whole or in part, and agrees to provide the Moses Afonso Defendants with drafts of the motion papers and briefs and the Moses Afonso Defendants agree to provide the RICC with their comments and suggestions, and otherwise agree to cooperate in these efforts. Without limiting the foregoing, this obligation of the RICC applies to any claim that the statute does not bar contribution claims against the Moses Afonso Defendants. This paragraph does not prevent the Moses Afonso Defendants from taking

necessary and reasonable steps to defeat or defend against such claims if they determine in their sole discretion that the RICC is not taking necessary or reasonable steps or otherwise determine in their sole discretion that their participation is required. All funds expended by the Moses Afonso Defendants pursuant to this paragraph shall be subject to reimbursement from the Hold Back Fund if services are provided or incurred after July 3, 2014 or as provided in the final sentence of Paragraph 4 above.

7. The RICC agrees that this agreement represents a settlement as a result of the compromise of disputed claims and that the settlement and the dismissal of the Claims against the Moses Afonso Defendants are not and shall not be construed to be an admission of liability by any of them, which liability they deny.
8. The RICC, the Moses Afonso Defendants, and Liberty further agree that no promise or inducement has been offered, except as herein set forth, and that this Settlement Agreement and Releases referenced herein contain the entire agreement between and among the Parties and supersede any and all prior agreements, understandings, representations, and discussions, whether written or oral, between the Parties.
9. The RICC represents and warrants that it is authorized to sign this Agreement for all persons or entities on whose behalf it purports to act, it has not assigned, conveyed or otherwise transferred any rights to the Claims, and no other consents or agreements are required to be obtained from any other person or entity to perfect the full and irrevocable releases set forth and referred to herein. The Moses Afonso Defendants and Liberty represent and warrant that they are authorized to sign this Agreement for all persons or entities on whose behalf they purport to act.
10. This Agreement contains no representations as to potential tax liabilities associated with the payments hereunder.
11. The Parties state that they have carefully read the foregoing Settlement Agreement and have consulted, or had the opportunity to consult, with counsel of their choosing before signing it, with regard to the contents hereof. It is understood and agreed that no mistake of law or mistake of fact shall constitute a basis for rescission or reformation or render any portion of this Settlement Agreement void or voidable. The Parties acknowledge that this Settlement Agreement is the product of their own free act and deed, and has been

negotiated by all Parties and shall not be construed against any party. The Parties acknowledge that this Agreement is final and binding.

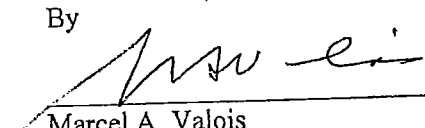
12. The RICC, the Moses Afonso Defendants, and Liberty further agree that Rhode Island law (excluding conflict of laws) shall govern this Settlement Agreement.
13. This Settlement Agreement (including the Releases referred to herein) contains the entire agreement with respect to the resolution of the Claims and shall be binding upon and benefit the executors, administrators, personal representatives, trustees, beneficiaries, heirs, principals, and successors of the Parties.
14. This Settlement Agreement may be executed in one or more counterparts, which, when taken together, shall constitute a single instrument. A true copy of each counterpart shall be deemed an original.

In witness whereof and by execution of this document, the undersigned individuals and entities agree to the terms of this Settlement Agreement, which is a sealed instrument.

IN WITNESS WHEREOF, and upon due authorization, I have hereunto set my hand and seal on behalf of the Rhode Island Commerce Corporation f/k/a the Rhode Island Economic Development Corporation this 24th day of June, in the year 2014.

Rhode Island Commerce Corporation f/k/a Rhode
Island Economic Development Corporation

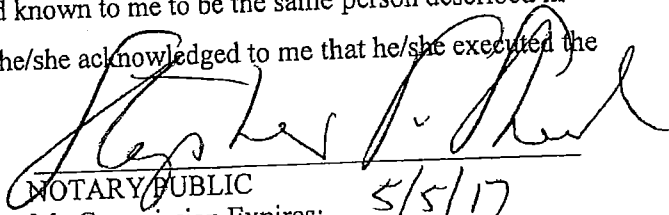
By


Marcel A. Valois

Its Executive Director, duly authorized

STATE OF RHODE ISLAND
COUNTY OF PROVIDENCE

On this 24th day of June, 2014, before me personally appeared Marcel Valois,
on behalf of the Rhode Island Commerce Corporation f/k/a the Rhode Island Economic
Development Corporation to me known, and known to me to be the same person described in
and who executed the above instrument and he/she acknowledged to me that he/she executed the
same as his/her free act and deed.

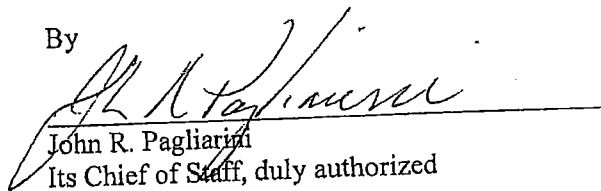

NOTARY PUBLIC
My Commission Expires: 5/5/17

* * *

IN WITNESS WHEREOF, and upon due authorization, I have hereunto set my hand and
seal on behalf of the Rhode Island Commerce Corporation f/k/a the Rhode Island Economic
Development Corporation this 24th day of June, in the year 2014.

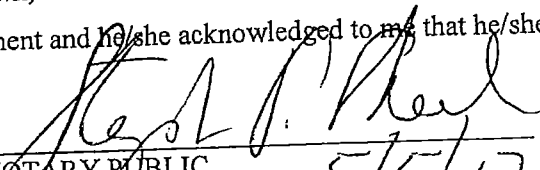
Rhode Island Commerce Corporation f/k/a Rhode
Island Economic Development Corporation

By


John R. Pagliarini
Its Chief of Staff, duly authorized

STATE OF RHODE ISLAND
COUNTY OF PROVIDENCE

On this 27th day of June, 2014, before me personally appeared John R. Pagliarini, on behalf of the Rhode Island Commerce Corporation f/k/a the Rhode Island Economic Development Corporation to me known, and known to me to be the same person described in and who executed the above instrument and he/she acknowledged to me that he/she executed the same as his/her free act and deed.


NOTARY PUBLIC

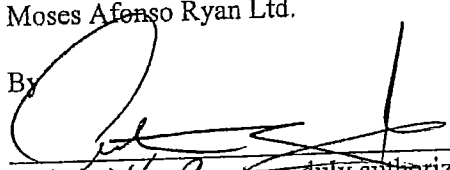
My Commission Expires: 5/5/17

* * *

IN WITNESS WHEREOF, and upon due authorization, I have hereunto set my hand and seal on behalf of myself individually and on behalf of Moses Afonso Ryan Ltd. this 25th day of June, in the year 2014.

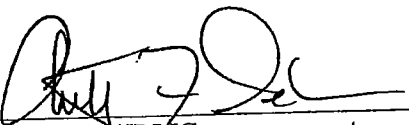
Moses Afonso Ryan Ltd.

By


Its (print) Vice President duly authorized

STATE OF RHODE ISLAND
COUNTY OF PROVIDENCE


On this 25th day of June, 2014, before me personally appeared António Afonso Ryan, on behalf of Moses Afonso Ryan Ltd. to me known, and known to me to be the same person described in and who executed the above instrument and he/she acknowledged to me that he/she executed the same as his/her free act and deed.



NOTARY PUBLIC
My Commission Expires: 6/30/17

* * *


IN WITNESS WHEREOF, I have hereunto set my hand and seal on behalf of myself
individually this 25th day of June, in the year 2014.



Antonio Afonso, Jr.

STATE OF RHODE ISLAND
COUNTY OF PROVIDENCE

On this 25th day of June, 2014, before me personally appeared Antonio Afonso,
Jr. to me known, and known to me to be the same person described in and who executed the
above instrument and he/she acknowledged to me that he/she executed the same as his/her free
act and deed.



NOTARY PUBLIC
My Commission Expires: 6/30/17

* * *

IN WITNESS WHEREOF, and upon due authorization, I have hereunto set my hand and
seal on behalf of Liberty Insurance Underwriters Inc. this ____ day of _____, in the year
2014.

Liberty Insurance Underwriters Inc.

By

Its (print): _____, duly authorized

NOTARY PUBLIC
My Commission Expires: _____

* * *

IN WITNESS WHEREOF, I have hereunto set my hand and seal on behalf of myself
individually this _____ day of _____, in the year 2014.

Antonio Afonso, Jr.

STATE OF RHODE ISLAND
COUNTY OF PROVIDENCE

On this _____ day of _____, 2014, before me personally appeared Antonio Afonso,
Jr. to me known, and known to me to be the same person described in and who executed the
above instrument and he/she acknowledged to me that he/she executed the same as his/her free
act and deed.

NOTARY PUBLIC
My Commission Expires: _____

* * *

IN WITNESS WHEREOF, and upon due authorization, I have hereunto set my hand and
seal on behalf of Liberty Insurance Underwriters Inc. this 26 day of JUNE, in the year
2014.

Liberty Insurance Underwriters Inc.

By

Charles Levine
Its (print): CHARLES LEVINE, Assistant Vice Pres
_____, duly authorized

STATE OF New York
COUNTY OF New York

On this 26 day of June, 2014, before me personally appeared Charles Levine
on behalf of Liberty Insurance Underwriters Inc. to me known, and known to me to be the same
person described in and who executed the above instrument and he acknowledged to me that he
executed the same as his free act and deed.


NOTARY PUBLIC

My Commission Expires: 12/27/14

* * *



EXHIBIT 1

JOINT TORTFEASOR RELEASE

The Rhode Island Commerce Corporation, f/k/a the Rhode Island Economic Development Corporation ("RICC"), in consideration of the mutual promises contained in the Settlement Agreement dated June 24, 2014 ("Settlement Agreement"), and Assured Guaranty Municipal Corp. f/k/a Financial Security Assurance Inc. ("Assured Guaranty") in consideration for the payments to the RICC set forth in the Settlement Agreement, which payments directly benefit Assured Guaranty as set forth in that Settlement Agreement, (collectively, Assured Guaranty and the RICC are referred to hereafter as the "Releasors"), on behalf of themselves and their predecessors, successors, and assigns, do hereby release and forever discharge Antonio Afonso, Jr. and Moses Afonso Ryan Ltd. (collectively, the "Moses Afonso Defendants"), Liberty Insurance Underwriters Inc. ("Liberty") and their respective heirs, executors, administrators, parents, subsidiaries, officers, directors, shareholders, partners, principals, attorneys, employees, and/or insurers (collectively, the "Releasee(s)") of and from (a) any and all actions, litigation, claims and demands of every kind and nature, both at law and in equity, whether known or unknown, whether they exist today or arise in the future, whether by way of subrogation or otherwise, arising out of or in any respect relating to the issuance of revenue bonds denominated "THE RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION JOB CREATION GUARANTY PROGRAM TAXABLE REVENUE BOND (38 STUDIOS, LLC PROJECT) SERIES 2010" (the "2010 Bonds") or to any legal services provided to the RICC or as bond counsel by the Moses Afonso Defendants as to the 2010 Bonds; (b) any and all claims that were or could have been asserted, whether by way of subrogation or otherwise, in connection with that certain civil action entitled *Rhode Island Economic Development Corporation v. Wells Fargo Securities, LLC, Barclays Capital, Inc., First Southwest Company, Starr Indemnity and Liability*

Company, Curt Schilling, Thomas Zaccagnino, Richard Wester, Jennifer MacLean, Robert I. Stolzman, Adler Pollock & Sheehan, P.C., Moses Afonso Ryan Ltd., Antonio Afonso, Jr., Keith Stokes and J. Michael Saul – C.A. No. PB12-5616, filed in Providence County Superior Court in the State of Rhode Island (the "Rhode Island Litigation"); and (c) any and all actions, litigation, claims and demands of every kind and nature, both at law and in equity, whether known or unknown, whether by way of subrogation or otherwise, whether they exist today or arise in the future, and arising out of or in any respect relating to the Municipal Bond Insurance Policy issued by Assured Guaranty in connection with the 2010 Bonds, including, without limitation, any and all such actions, litigation, claims and demands arising out of or in any respect relating to the issuance of that Municipal Bond Insurance Policy or past and/or future payments of principal and/or interest thereunder (the claims identified herein referred to hereafter as "the Claims");

Pursuant to Section 10.03 of the Loan and Trust Agreement entered into on November 1, 2010, which states that Assured Guaranty shall be "the sole holder of the 2010 Series Bonds for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the holders of the Bonds insured by it are entitled to take pursuant to any section or article of the Agreement pertaining to (i) defaults and remedies and (ii) the duties and obligations of the Trustee for so long as the Insurance Policy is outstanding and the Insurer has honored its obligation thereunder and is not in default of any of its obligations thereunder," Assured Guaranty represents that it is now exercising these powers in connection with this release.

Assured Guaranty acknowledges that the payment to the RICC on behalf of the Moses Afonso Defendants as provided for in the Settlement Agreement reduces any liability that

Assured Guaranty has and/or may ever have under and/or pursuant to the Municipal Bond Insurance Policy, and that Assured Guaranty is obligated to make all payments due under the 2010 Bonds in accordance with the terms of the Municipal Bond Insurance Policy to the extent that the General Assembly of the State of Rhode Island does not appropriate such payments;

Assured Guaranty represents and warrants that it is authorized to sign this Agreement and has not assigned, conveyed or otherwise transferred any rights to the Claims, and no other consents or agreements are required to be obtained from any other person or entity to perfect the full and irrevocable releases set forth herein.

Assured Guaranty agrees that this Release represents a settlement as a result of the compromise of potential disputed claims and that the Release of the Claims against the Moses Afonso Defendants is not and shall not be construed to be an admission of liability by any of them, which liability they deny.

This release is provided pursuant to Rhode Island General Laws § 42-64-40. In the event the constitutionality of Rhode Island General Laws § 42-64-40 is challenged by any named or future defendant(s) in the Rhode Island Litigation and/or any other person and/or entity now or hereafter deemed a joint tortfeasor, the RICC agrees to exercise its best efforts to defend the constitutionality of that statute.

The RICC and Assured Guaranty expressly do not release any claim against any of the named defendants in the Rhode Island Litigation other than the Releasee(s). Upon receipt of the settlement proceeds, RICC and Assured Guaranty reduce their claims or potential future claims against any such remaining named defendants deemed a joint tortfeasor under Rhode Island General Laws § 42-64-40 in the amount set forth in the Settlement Agreement only.

Rhode Island law shall govern this Release.

IN WITNESS WHEREOF, and upon due authorization, I have hereunto set my hand and seal on behalf of the Rhode Island Commerce Corporation f/k/a Rhode Island Economic Development Corp. this ____ day of _____, in the year 2014.

Rhode Island Commerce Corporation f/k/a Rhode Island Economic Development Corp.

By

Marcel A. Valois
Its Executive Director, duly authorized

STATE OF RHODE ISLAND
COUNTY OF PROVIDENCE

On this ____ day of _____, 2014, before me personally appeared Marcel A. Valois, on behalf of the Rhode Island Commerce Corporation to me known, and known to me to be the same person described in and who executed the above instrument and he/she acknowledged to me that he/she executed the same as his/her free act and deed.

NOTARY PUBLIC
My Commission Expires: _____

* * *

IN WITNESS WHEREOF, and upon due authorization, I have hereunto set my hand and seal on behalf of the Rhode Island Commerce Corporation f/k/a the Rhode Island Economic Development Corporation this 24th day of June, in the year 2014.

Rhode Island Commerce Corporation f/k/a Rhode
Island Economic Development Corporation

By

John R. Pagliarini
Its Chief of Staff, duly authorized

STATE OF RHODE ISLAND
COUNTY OF PROVIDENCE

On this ____ day of _____, 2014, before me personally appeared John R.
Pagliarini, on behalf of the Rhode Island Commerce Corporation f/k/a the Rhode Island
Economic Development Corporation to me known, and known to me to be the same person
described in and who executed the above instrument and he/she acknowledged to me that he/she
executed the same as his/her free act and deed.

NOTARY PUBLIC

My Commission Expires: _____

* * *

IN WITNESS WHEREOF, and upon due authorization, I have hereunto set my hand and seal on
behalf of Assured Guaranty Municipal Corp. f/k/a Financial Security Assurance Inc. this ____
day of _____, in the year 2014.

Assured Guaranty Municipal Corp. Corp. f/k/a
Financial Security Assurance Inc.

By

Its (print): _____, duly authorized

(continued)

STATE OF _____
COUNTY OF _____

On this ____ day of _____, 2014, before me personally appeared
_____, on behalf of Assured Guaranty Municipal Corp. Corp. f/k/a
Financial Security Assurance Inc. to me known, and known to me to be the same person
described in and who executed the above instrument and he/she acknowledged to me that he/she
executed the same as his/her free act and deed.

NOTARY PUBLIC
My Commission Expires: _____

EXHIBIT 2

RELEASE

Antonio Afonso, Jr. and Moses Afonso Ryan Ltd. (collectively, the "Moses Afonso Defendants") (collectively the "Releasers"), in consideration of the mutual promises contained in the Settlement Agreement dated June 24, 2014, do hereby release and forever discharge the Rhode Island Commerce Corporation, f/k/a the Rhode Island Economic Development Corporation ("RICC") and Assured Guaranty Municipal Corp. f/k/a Financial Security Assurance Inc. ("Assured Guaranty") (the "Releasees") of and from (a) any and all actions, claims and demands of every kind and nature, both at law and in equity, whether known or unknown, arising out of or in any respect relating to the issuance of revenue bonds denominated "THE RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION JOB CREATION GUARANTY PROGRAM TAXABLE REVENUE BOND (38 STUDIOS, LLC PROJECT) SERIES 2010" (the "2010 Bonds") and any litigation relating thereto; (b) any and all claims that were or could have been asserted in connection with that certain civil action entitled *Rhode Island Economic Development Corporation v. Wells Fargo Securities, LLC, Barclays Capital, Inc., First Southwest Company, Starr Indemnity and Liability Company, Curt Schilling, Thomas Zaccagnino, Richard Wester, Jennifer MacLean, Robert I. Stolzman, Adler Pollock & Sheehan, P.C., Moses Afonso Ryan Ltd., Antonio Afonso, Jr., Keith Stokes and J. Michael Saul* – C.A. No. PB12-5616, filed in Providence County Superior Court in the State of Rhode Island (the "Rhode Island Litigation"); and (c) any and all actions, claims and demands of every kind and nature, both at law and in equity, whether known or unknown, arising out of or in any respect relating to 38 Studios, LLC..

This release shall not affect any claims the Moses Afonso Defendants may have against the RICC arising out of any breach of the Settlement Agreement dated June 24, 2014.

Rhode Island law shall govern this Release.

IN WITNESS WHEREOF, and upon due authorization, I have hereunto set my hand and seal on behalf of myself individually and on behalf of Moses Afonso Ryan Ltd. this ____ day of _____, in the year 2014.

Antonio Afonso, Jr., individually and on behalf of
Moses Afonso Ryan Ltd.

**RESOLUTION OF THE BOARD OF DIRECTORS OF
THE RHODE ISLAND COMMERCE CORPORATION**

June 23, 2014

(With Respect to a Settlement Agreement with Antonio Afonso, Jr. and Moses Afonso Ryan LTD)

WHEREAS, the Board of Directors has received information and a presentation from Max Wistow and Stephen Sheehan of Wistow Barylick Sheehan & Loveley, P.C. regarding a proposed settlement with Antonio Afonso, Jr. and Moses Afonso Ryan LTD in relation to that pending litigation styled *Rhode Island Economic Development Corporation v. Wells Fargo Securities, LLC, Barclays Capital, Inc., First Southwest Company, Starr Indemnity and Liability Company, Curt Schilling, Thomas Zaccagnino, Richard Wester, Jennifer MacLean, Robert I. Stolzman, Adler Pollock & Sheehan, P.C., Moses Afonso Ryan Ltd., Antonio Afonso, Jr., Keith Stokes and J. Michael Saul – C.A. No. PB12-5616*, filed in Providence County Superior Court in the State of Rhode Island (the "Rhode Island Litigation"); and

WHEREAS, the Board of Directors has determined that the settlement as proposed is in the best interests of the Corporation.

NOW, THEREFORE, be it resolved by the Corporation as follows:

Section 1: The Settlement Agreement annexed hereto as Exhibit A, is hereby approved by the Corporation, subject to the approval by the Rhode Island Superior Court in the Rhode island Litigation as provided in the Settlement Agreement; and

Section 2: Any two of the Chairman, Vice Chairman, Executive Director and/or Chief of Staff, acting in concert, shall have the authority to execute such documents or take such actions as are necessary to enter into the Settlement Agreement and effectuate the terms of the Settlement Agreement; and

Section 3: The firm of Wistow Barylick Sheehan & Loveley, P.C., and its attorneys are authorized to petition the Providence Superior Court in the Rhode island Litigation for approval of the Settlement Agreement and take such other actions as they deem necessary to obtain approval of and effectuate the terms of the Settlement Agreement; and

Section 4: This Resolution shall take effect immediately upon passage by the Corporation's Board of Directors.